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THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

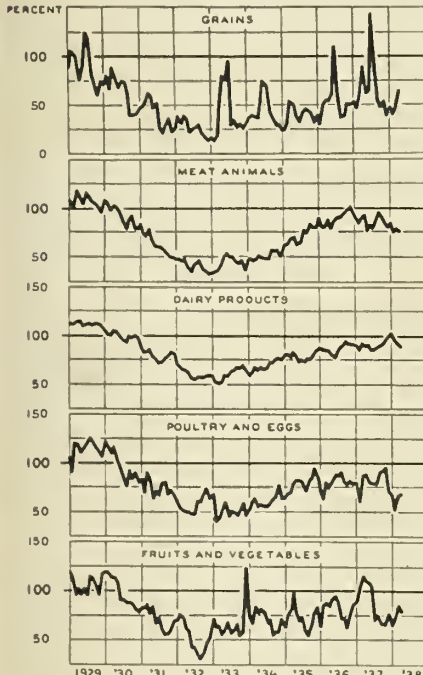
JUNE 15, 1938

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U. S. Department of Agriculture
MEASURES RELATING TO DEMAND
FOR FARM PRODUCTS

INCOME AND RELATED STATISTICS

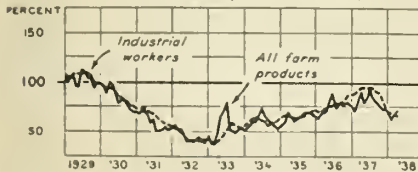
CASH INCOME FROM SALES OF FARM PRODUCTS

INDEX NUMBERS (1924-29=100) SEASONALLY ADJUSTED



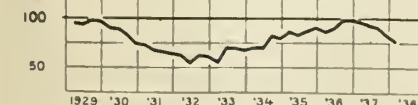
CASH FARM INCOME AND INCOME OF INDUSTRIAL WORKERS

INDEX NUMBERS (1924-29=100) SEASONALLY ADJUSTED



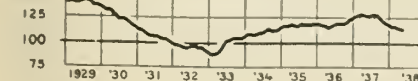
RATIO OF PRICES RECEIVED TO PRICES PAID BY FARMERS

INDEX NUMBERS (1910-14=100)



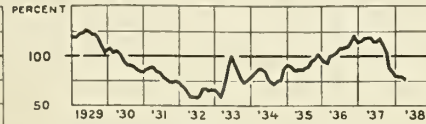
WHOLESALE PRICES OF ALL COMMODITIES, U.S.

INDEX NUMBERS (1910-14=100)



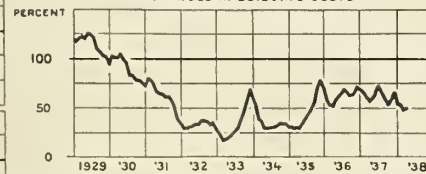
INDUSTRIAL PRODUCTION, U.S.

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



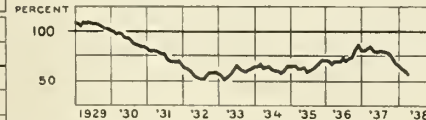
BUILDING CONTRACTS AWARDED, U.S.

INDEX NUMBERS (1923-25=100) ADJUSTED SEASONALLY
AND FOR CHANGES IN BUILDING COSTS



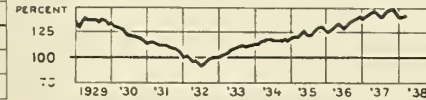
FREIGHT CAR LOADINGS, U.S.

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



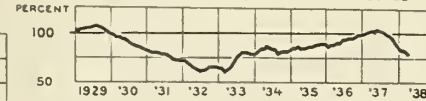
FOREIGN INDUSTRIAL PRODUCTION

INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED

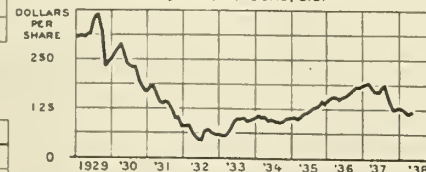


FACTORY EMPLOYMENT, U.S.

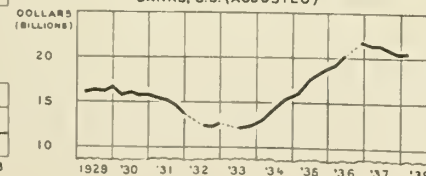
INDEX NUMBERS (1923-25=100) SEASONALLY ADJUSTED



INDUSTRIAL STOCKS: AVERAGE PRICE BASED ON 30 STOCKS, U.S.

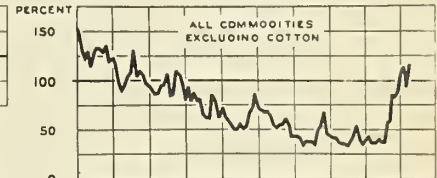


DEMAND DEPOSITS OF ALL MEMBER BANKS, U.S. (ADJUSTED)

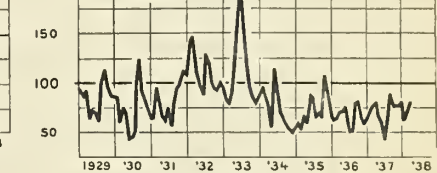


FOREIGN TRADE AND RELATED STATISTICS

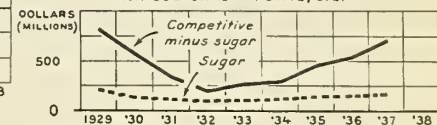
VOLUME OF AGRICULTURAL EXPORTS, U.S. INDEX NUMBERS (JULY 1909-JUNE 1914=100) SEASONALLY ADJUSTED



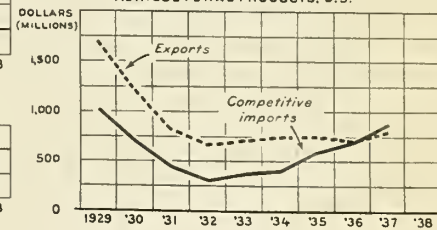
COTTON



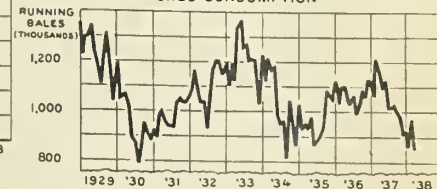
VALUE OF COMPETITIVE AGRICULTURAL IMPORTS, U.S.



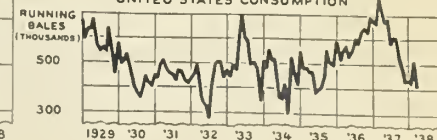
VALUE OF FOREIGN TRADE IN AGRICULTURAL PRODUCTS, U.S.



COTTON, AMERICAN: WORLD CONSUMPTION



COTTON, ALL KINDS: UNITED STATES CONSUMPTION



DOMESTIC DEMAND

Some further weakness in the domestic demand for farm products during the summer may be followed by some improvement in the fall months. Recovery from the prevailing low levels of industrial activity and consumer purchasing power, however, is expected to be comparatively slow. Consequently, farm products produced in 1938 for the most part probably will be sold under relatively unfavorable domestic demand conditions.

Industrial production apparently declined somewhat further in May, but still was only slightly below the level established at the beginning of the year. The normal seasonal tendency from now until fall is downward. Greater than usual falling off in steel and automobile production probably will result in some additional decline in the seasonally adjusted index of industrial activity.

Examination of the situation existing in the several industries which largely determine the total volume of industrial production indicates that there will be some general improvement following the summer lows, but no marked upswing. Thus, the movement may be somewhat similar to that which occurred during the fall and winter of 1934-35, following the summer decline in 1934.

The Government's relief and recovery program should begin to take real effect in the late fall and winter months. Decreased inventories of consumers' goods should bring a noticeable revival of orders and manufacturing activity in many miscellaneous lines. The introduction of new models at possibly revised prices, together with the accumulation of potential orders during recent months of postponed buying, may bring a considerable revival in automobile output. Building construction promises to continue a relatively favorable factor. On the other hand, there may be decreased exports of industrial raw materials and finished goods to foreign countries, whose business activity and exports to the United States are declining. No marked revival of forward buying is likely until conditions pointing to a material upswing in commodity prices appear. The production of capital goods is not likely to expand much until there has been at least several months of improving conditions. The railroads will not contribute much to industrial activity this year, at least, and the reduced rate of electric power output has made less urgent expansion in this field. No sharp upswing in industrial activity is likely to occur this fall or winter in the absence of forward buying and revival of capital goods expansion, despite the favorable influences mentioned.

Following the sharp reductions which occurred last fall, industrial employment and pay rolls have sagged slightly more during the first few months of 1938 (see table at end of this report). Monthly estimates of national income have exhibited a similar tendency since the first of the year. It is probable that industrial employment and pay rolls this summer will experience some further shrinkage, in line with the expected changes in industrial activity, and that somewhat greater reductions in the incomes of workers engaged in trade and service lines will occur. These prospective declines in consumer incomes and demand for farm products, however, are not likely to be very marked. The improvement expected in the fall and winter months also probably will not be great.

FOREIGN DEMAND

Foreign demand for United States farm products apparently has changed relatively little during the past month, but such indications as are available point to further weakness. Exports have held up well, however, as a result of larger crops and lower prices in this country.

The seasonally adjusted index of the volume of agricultural products exported from the United States advanced in April to 93 percent of the pre-war average, the highest level since November 1935. Exports of fruits reached the highest point in nearly 3 years, and exports of corn, oats, and barley also advanced sharply, almost regaining the February recovery peak.

The volume of agricultural exports since January has comprised 30 percent of our total exports, compared with a ratio of 25 percent last year. Sales of finished goods abroad are up about 15 percent and amount to 50 percent of total exports so far this year. Total trade has decreased since January, not only in the United States but also in England, Germany, Canada, Sweden and Japan. For the first 4 months of 1938, however, the value of United States exports was 12 percent above that for the corresponding period of last year, principally because of increased exports of farm products, farm machinery, and armament materials. United States imports, on the other hand, were 40 percent lower than in the first 4 months of 1937.

The volume of world trade declined sharply in the first quarter of 1938. The volume of world trade moved upward from 1932 through 1937, and reached the 1929 level in the first quarter of 1937, according to the index of world trade in 76 countries compiled by the League of Nations. In the first 3 months of 1938 the index dropped 12 percent; more than offsetting the improvement made in 1937. The recent drop is the sharpest quarterly decline in years. Some of the decline, however, reflected seasonal influences.

The combined index of industrial production in 9 foreign countries that have a considerable influence on the foreign demand for our farm products was practically unchanged from February to March. The individual countries had the same trends as a month ago, except for a reversal in Italy and Canada - activity declining in Italy and expanding in Canada.

The March upturn in Canadian industrial production followed a comparatively brief decline extending over 3 months; preliminary indications point to a further gain in April.

Industrial activity in England declined sharply from March to April, following the more moderate drop in the early months of 1938. The heaviest reduction in recent months has occurred in textiles, except for silk and artificial silk. Contrary to earlier expectations, activity in the building trades in England has so far been better maintained than in many other industries. An unfavorable note, however, is the persistent decline in the returns of building plans passed by a large number of local authorities.

Business conditions in the Netherlands and Belgium have been on a downtrend since January. In France, industrial activity has declined sharply since December, particularly in the production of chemicals and metals.

WHOLESALE PRICES

The general level of wholesale prices in May and early June continued the downward trend which began in August 1937, although the rate of decline was slower. So little change in the price level has occurred in recent weeks, that the averages for each week since late April have rounded to 78 percent of the 1926 average. This leveling-off may be followed by some recovery in the latter part of 1938. Seasonal increases in prices of some farm products and some recovery in raw material prices may more than offset any decline in wholesale prices of finished goods in the next 6 months.

Compared with a year ago, wholesale prices of farm products have declined 25 percent, more of a drop than has occurred in any other group composing the Bureau of Labor Statistics index of wholesale prices. Prices of textiles declined 16 percent and prices of foods and "hides and leather" products, each fell 15 percent. Declines in all other groups were less severe than the drop in the general level of wholesale prices, which fell 11 percent during the past 12 months. Prices of fuel, metals, and housefurnishings are practically unchanged from a year ago. Prices of raw materials have declined steadily and are now 19 percent lower than a year ago. Prices of semi-manufactured goods at the same time declined 16 percent, whereas prices of finished goods, which continued to advance through September 1937, are within 6 percent of the level of a year ago.

The ratio of wholesale prices of farm products to wholesale prices of non-agricultural products for the week ended June 4 was 79 percent of the prewar level, compared with 98 for the corresponding week a year ago. The recent ratio reflects the sharp decline of early June in prices of farm products to the lowest since July 1934.

Price trends in most of the major foreign countries have been downward in recent months. Prices in England continued to weaken in April and May, but at a less pronounced rate. The decline in England was fairly evenly distributed among the various groups, with smallest declines in foodstuffs. Prices in Canada also continued to recede. Prices of Canadian farm products are now 13 percent less than a year ago.

Prices in Japan declined noticeably in April, following a rise of 5 percent from October to March. Prices of metals fell sharply, and recessions also occurred in prices of industrial chemicals, fibrous raw materials, and farm products. As a means of improving the commodity price situation the Japanese Government has recently created a Central Price Committee.

In contrast with declines in most foreign countries, prices in France rose in April and May to a new recovery level. Prices of farm products in France have risen 4 percent in the last 4 weeks as a result of poor crop prospects; prices of imported products increased even more sharply in early May because of the recent currency devaluation, although in late May these prices leveled off a little.

Wholesale prices in Germany, according to the official index, have risen slowly in recent years, and the index has increased only 1 percent in the last 2 years.

The combined index of wholesale prices in the currencies of nine foreign countries, which are important markets for American farm products, declined in April for the fourth consecutive month, to 87 percent of the 1924-29 average.

PRICES RECEIVED AND PAID BY FARMERS

Market prices indicate that there has been little change in the general level of prices received by farmers since mid-May. Declines in prices of cotton, dairy products and truck crops in the last month have been about offset by increases in apples, potatoes, hogs, and the better grades of steers.

The cotton situation in May and early June was characterized by continued unfavorable demand conditions and some decline in prices. Domestic wheat prices in the next month or so will be affected largely by changes in crop conditions and perhaps by the Government wheat loan policy. Prices of feed grains have declined in the last month. Prices of oats and barley may show some further weakness but corn prices are expected to remain near present levels in the next few months, unless adverse crop conditions develop. Potato prices may be fairly stable during the summer months.

Steady to higher prices of hogs are probable for the summer months. The seasonal increase in slaughter supplies of cows and heifers and some decline in prices are in prospect for the summer and early fall months. Lamb prices are expected to decline seasonally this summer. Little or no change in domestic wool prices is expected in the next few months. Butter production in recent months has been large and prices declined seasonally. A seasonal upturn in butter prices is expected in the last half of the year but prices during the summer are likely to average considerably less than a year earlier. The seasonal trend from now to December is expected to be upward for eggs and downward for chickens.

The general level of prices received by farmers has declined steadily for 10 consecutive months to 92 percent of pre-war in mid-May compared with 94 in April and with 128 in May 1937. Increases in prices of fruit and eggs during the month ending May 15 failed to offset price declines in most other farm products. Prices of wheat, hogs, calves, sheep and butterfat declined considerably from mid-April to mid-May. Farm prices of cotton were steady from March to May.

The preliminary estimate of prices paid by farmers for commodities at 125 percent of pre-war in May was unchanged from the level of March and April, compared with 134 in May 1937. As a result of the decline in farm prices, the ratio of prices received to prices paid declined from 75 in April to 74 in May, compared with 96 in May 1937.

FARM INCOME

The Bureau's monthly report on cash income from farm marketings during May will be available about June 22. Data available, however, indicate that income from farm marketings in May was higher than the \$489,000,000 received in April, although the increase over May was less than usual. In most years there is an increase of about 15 percent in income from crops, as a marked increase from fruits and vegetables and a moderate increase from grains more than offset the seasonal decline in cotton and tobacco. Income from those crops for which data are available for May indicates that the increase over April was less than seasonal this year.

Income from livestock and livestock products usually increases about 10 percent from April to May with income from dairy products showing the greatest increase. While income from nearly all the different livestock and livestock products in May was larger than in April, the increase was less than seasonal.

Government payments during May were about 43 million dollars compared with 60 million dollars in April and 33 million dollars in May 1937.

COTTON

The cotton situation in May and early June was again characterized by continued unfavorable demand conditions. In the United States and many foreign countries, manufacturers' sales of cotton textiles, for the most part, apparently continued below the restricted output. In a number of foreign countries, reports indicate that cotton mill activity was reduced substantially further in recent weeks. In most countries, however, activity is still considerably higher relative to a year earlier than in the United States where cotton consumption in May was 36 percent less than a year earlier. The outlook with respect to cotton consumption both in the United States and the world as a whole during the 12 months ending July 31, 1938, therefore, appears less favorable than a month or so ago.

Unfavorable developments with respect to demand no doubt contributed to the 1-cent (11 percent) decline in domestic cotton prices during the last half of May. This decline reduced the average price of Middling 7/8 inch in the 10 spot markets by May 31 to 7.76 cents or within a few points of the low of last November. During the first 14 days of June, average prices in these markets fluctuated between 7.90 and 8.26 cents compared with an average of 13.12 and 12.50 cents, respectively, in May and June last year.

Despite the recent substantial decline in the price of American cotton, a further increase occurred in the price of American relative to that of foreign growths. The price of Indian cotton in May averaged considerably lower relative to American than in April, with the result that this important competitive foreign cotton was more favorably priced - from the standpoint of encouraging its consumption - than it has been for more than a year.

Trade reports indicate that domestic cotton growers as a group appear to be keeping their 1938 cotton acreage within their revised acreage allotments, although some are believed to be planting more, and others less than, their allotments. For the most part, recently published trade estimates of United States cotton acreage fall between 27.0 and 28.7 million acres. The final national acreage allotment is expected to be somewhat in excess of 28 million acres, compared with the revised estimate of the 1937 harvested acreage of 34,001,000 acres. The first official estimate of United States acreage will be released on July 8. Reports pertaining to acreage in foreign countries continue to indicate a substantial decline in comparison with the record acreage of 1937-38.

WHEAT

Domestic wheat prices in the next month or so will be affected largely by changes in crop conditions and perhaps by the Government wheat loan policy. Wheat prices in both domestic and foreign markets declined further in the last half of May, influenced by prospects of large crops. In the first half of June, however, prices turned upward. Injury from late frosts in the United States was confirmed by early threshing returns, and moist conditions brought concern over black-stem rust although little damage from this cause has been reported as yet. Prices of hard milling wheats are showing independent strength and may continue to do so for some time. Supplies of this type of wheat in other countries will remain small until the new Canadian crop is marketed. Should the quality of the new United States crop be low, old crop wheat of good milling value would command substantial premiums.

World wheat production this year may total larger than last year if present prospects in the Northern Hemisphere are borne out and if growing conditions in the Southern Hemisphere countries are near average. Yields per acre in Argentina were abnormally low last year. A larger wheat crop in the Northern Hemisphere is indicated by estimates of area and condition reported to date. Prospects in North America point to a considerably larger crop. The present outlook in Europe is for a fairly good crop, although the total outturn is expected to be below that of last year. Prospects for considerable reduction in Spain and Italy, and somewhat smaller reductions in Greece and the northern European countries more than offset prospects for larger outturns in Central Europe and France.

A winter wheat crop in the United States of 761 million bushels was indicated by the June 1 condition. This represents about a 1 percent increase from the indications of a month ago. The official estimate of spring wheat production will not be made until early July. Based on prospective plantings reported in March, however, condition on June 1 indicated a probable production of all spring wheat of from 260 to 285 million bushels. If these indications materialize, domestic production of all wheat would total approximately 1,035 million bushels. A crop of this size would be about 365 million bushels in excess of the 5-year (1932-36) average domestic disappearance of 670 million bushels. If the carry-over on July 1 this year turns out to be about 200 million bushels and exports in 1938-39 do not exceed those for 1937-38, this would indicate a carry-over into July 1939 of about 100 million bushels more than the record carry-over of 378 million bushels on July 1, 1933. Wheat loans are mandatory under the Agricultural Adjustment Act of 1938 if the July 1 crop estimate exceeds a normal year's domestic consumption and exports, which on the basis of the 10-year average would total about 750 million bushels.

CORN AND OTHER FEED GRAINS

Feed grain prices moved generally downward from mid-May to the week ended June 4. The greatest decline occurred in barley prices which dropped about 13 cents per bushel, largely as a result of the favorable prospects for the 1938 crop. Prices of oats and barley may show some further weakness. Corn prices, on the other hand, may be expected to remain near the present level, if the 1938 growing season is about normal. Stability in the corn market during the past 4 months has apparently been due largely to the corn loan program, and since another loan program is practically assured in 1938, a fairly stable level of corn prices is in prospect.

Growing conditions have been unusually favorable so far this season for both oats and barley, and present indications are that supplies of these grains will be much larger than in the 1936-37 and 1937-38 marketing years. If the carry-over of oats is as large as now appears probable and the condition of the 1938 crop continues favorable, the supply of oats for 1938-39 may approximate 1,400,000,000 bushels, which would be the largest supply since 1932-33. The total supply of barley for 1938-39, including farm and commercial carry-over, will probably be smaller than the large supply available in 1935-36, but may exceed the supply in either of the past 2 years by 40 to 50 million bushels.

Exports of corn continued large during the spring months. From October 1 to June 4 they have totaled more than 85 million bushels, the largest for this period since 1921-22. Exports of barley and oats this year also have been large compared with recent years. During the first 11 months of the 1937-38 marketing year about 10 million bushels of each of these two grains have been exported.

BUTTER

Butter prices declined seasonally in the past month. It is probable that by mid-June they had about reached their seasonal low. Prices during the summer months will average decidedly less than in the same period of 1936 or 1937, but more nearly the same as in the corresponding period of 1934 and 1935.

Butter production in April was 11 percent higher than a year earlier and 1 percent above the preceding high for the month in 1931. And it is expected that butter production will continue relatively large during the summer months. Pastures are good, prices of butterfat about average in relation to feed, supplies of feed on farms above average, and crop prospects are good. There are some indications that urban consumption of fluid milk and cream has dropped below the level of a year ago.

In April, apparent consumption of creamery butter was 6 percent larger than a year earlier. After making an allowance for the butter purchased by the Federal Surplus Commodities Corporation the movement through regular consuming channels was 3 percent larger than a year earlier. Prices have declined enough so that there has been some increase in apparent consumption above the level of a year ago.

From April 1937 to April 1938 the retail price of butter declined 4.1 cents per pound, while the retail price of oleomargarine declined 2.5 cents per pound. Oleomargarine production in April was 6 percent less than a year earlier and the smallest for the month since 1934. Evidently the narrower margin between retail prices of butter and oleomargarine has resulted in some shift from the use of oleomargarine to butter.

The changes in trade output and retail prices of butter indicate that consumer expenditures for butter in April were about 8 percent less than a year earlier.

POULTRY AND EGGS

Important developments in the poultry and egg situation in May included (1) a rise in egg prices and (2) the continued low storing of eggs.

The trend of egg prices is expected to be seasonally upward for the next 6 months. Supplies of eggs are not expected to be as great as in 1937. Storage stocks are not accumulating to the same extent as they did a year ago, and a substantial reduction from 1937 appears likely in the August 1 holdings of both shell and frozen eggs. These smaller holdings are expected to more than offset the lower level of consumer incomes, and egg prices in the last half of 1938 probably will be somewhat above those of a year earlier.

Chicken prices are probably past their seasonal peak and may be expected to decline during the rest of the year. The rate of decline probably will be greater than the 10-year average for corresponding months. With a larger hatch expected than in 1937, and smaller consumer incomes, chicken prices by mid-year are likely to go under those of 1937, and to continue below those of a year earlier throughout the fall and winter. Supplies of poultry, both in storage and on farms, are rather low.

HOGS

Steady to higher prices for hogs are probable for the summer months. Although market supplies of hogs are expected to decrease seasonally in the next 2 or 3 months, the effect of this reduction upon hog prices probably will be partly offset by some further weakness in consumer demand for meats. The estimate of the 1938 spring pig crop will be released on June 29. Present indications are that the spring crop this year is larger than that of last year, and this will mean larger slaughter supplies of hogs next fall and winter than a year earlier. A relatively large seasonal increase in hog marketings is expected in the fall months, but the seasonal decline in prices during the fall probably will be much less than the sharp drop which occurred last fall.

Hog prices advanced in the last half of May and in early June, after having declined steadily from early March to early May. The average price of hogs at Chicago for the first week of June was about \$8.50, about 60 cents higher than in early May, but about \$2.50 lower than in early June last year. Inspected hog slaughter in May, totaling 2,585,000 head, was slightly larger than in April and 23 percent larger than the relatively small slaughter in May last year.

Although marketings of hogs are expected to decrease seasonally after June, market supplies during the remainder of the present marketing year, ending September 30, are expected to be considerably larger than those of a year earlier. The supply of hog products for consumption in the summer months, however, consists partly of products obtained from current marketings and partly from stocks of pork and lard accumulated during previous winter and spring. Storage stocks of pork and lard are now much smaller than a year earlier, and the total supply of hog products available for consumption this summer probably will not be greatly different from that of last summer.

BEEF CATTLE

With a seasonal increase in slaughter supplies of cows and heifers in prospect for the summer and early fall months, prices of the lower grades of slaughter cattle are likely to decline in that period. During the summer or early fall, however, prices of well-finished, grain-fed steers and heifers may advance seasonally. But this advance may not be marked or maintained for long in view of the prospects for some further weakness in the consumer demand for meats. Steer slaughter during the summer and early fall months probably will not be much larger than in the spring. The number of well-finished steers marketed is likely to increase seasonally during the summer, but this increase will be largely offset by a seasonal reduction in marketings of other slaughter steers.

Steer prices at Chicago advanced moderately in late May and early June, with prices for most grades of steers reaching the highest level for the year to date. Despite considerable fluctuation, the advance in cow prices made in April was well maintained in May and early June. The demand for stocker and feeder cattle this year, with abundant feed supplies in relation to livestock numbers, has been relatively strong. Prices of such cattle have averaged only slightly lower than those of a year ago, and have been high relative to prices of slaughter cattle.

Inspected cattle slaughter in May was seasonally larger than in April, with most of the increase apparently occurring in steer slaughter. The number of cattle slaughtered under Federal inspection in May totaled 772,000 head, 3 percent larger than a month earlier and nearly 4 percent larger than a year earlier. For the first 5 months of 1938, however, inspected cattle slaughter was 2 percent smaller than in the corresponding period of 1937. Inspected calf slaughter in May, totaling 500,000 head, was slightly smaller than the seasonally large slaughter in March and April, and was 11 percent smaller than the near record slaughter in May a year earlier.

LAMBS

Prices of lambs are expected to decline seasonally during the summer months. Because of the present relatively low level of lamb prices, the absolute decline may be somewhat less than average. But the percentage decline may be about as great as average.

Present indications are that the lamb crop in the Native Sheep States, Idaho, and the Pacific Coast States, which supply most of the lambs for summer slaughter, is larger this year than last, and has generally made better growth than a year ago. Hence, marketings of new-crop lambs this summer probably will be larger than in the summer of 1937, but the number of yearlings to be marketed from Texas is expected to be smaller than the unusually large number marketed a year ago.

The total live weight of inspected sheep and lamb slaughter in the fed-lamb marketing season (December-April) was about the same as a year earlier. But prices paid for sheep and lambs averaged 20 percent lower, due chiefly to weakness in the consumer demand for meats and the relatively low prices of pelts and wool.

In May, marketings of old-crop shorn lambs and of early spring lambs were much larger than those of a year earlier. Inspected slaughter of sheep and lambs, totaling 1,550,000 head, was 9 percent larger than in April, and was the second

largest on record for May. Despite the increase in slaughter from April, prices of both shorn lambs and spring lambs at Kansas City in May were only slightly lower than a month earlier, although much below those of a year earlier. Prices of good and choice spring lambs at Chicago averaged about \$8.90 per 100 pounds, or \$3.70 lower than in May 1937.

WOOL

Little change in domestic wool prices is expected in the next few months. Favorable factors in the domestic wool situation include the apparent strength in foreign prices in the past 2 months and the stabilizing influence of the loan program of the Federal Government for domestic wools. Unfavorable factors include the present relatively large supplies of wool in this country and in foreign countries and the current low rate of domestic mill consumption with a relatively small volume of unfilled orders held by mills. Mill consumption in foreign countries has continued to decline, although the decline has not been so great as in the United States.

The spread between domestic and foreign prices of wool is now somewhat less than the United States tariff on wool, and imports have been very small in recent months. Supplies of wool now on hand in the United States plus the new domestic clip probably are considerably in excess of domestic mill requirements for the remainder of 1938. Hence, wool imports probably will continue small during the rest of the year.

Mill buying of domestic wools at Boston in May was even smaller than in April. The curtailed buying, together with offerings at country points at prices below Boston quotations was accompanied by slight declines in prices of spot wools at Boston.

The weekly rate of mill consumption of apparel wool in the United States in April was less than half as large as in April 1937 and with the exception of 1932 was the lowest April consumption in the past 21 years. Consumption in the first 4 months of 1938 was the smallest for those months in the 21 years of record. Some improvement in mill sales of wool goods was reported by the New York Wool Top Exchange service in the latter part of May. But orders for fall season wear to date are reported to be small compared with those of the past 2 years.

It now appears probable that the quantity of wool carried over in Southern Hemisphere countries at the beginning of the 1938-39 season in September will be larger than usual. Apparent supplies on May 1 were about 45 percent larger than a year earlier when supplies were fairly small and nearly 30 percent larger than the May 1 average for the 5 years, 1932-36. Latest reports indicate that the severe drought in Australia has been broken, thereby improving the outlook for the 1938-39 clip. South Africa, likewise, has been recovering from drought.

FRUITS

About average fruit crops are in prospect, but, because of the relatively low purchasing power of consumers, prices to growers may not be much improved over those received for the large 1937 crops. Incomes of industrial workers, an important measure of consumer purchasing power for fruits, are about 25 percent lower than a year earlier. Another unfavorable factor in the situation this season is the unusually large carry-over of canned and dried fruits, and the demand for canning and drying probably will be much less than in 1937. This situation will naturally force a larger than usual proportion of the deciduous fruits into fresh fruit marketing channels.

Market prices of fruits in general have shown little change from early May to early June. Strawberry prices regained most of the early May loss by the first week in June. Prices of eastern apples advanced slightly, while prices of early southern peaches declined sharply under the pressure of heavy marketings. Prices of Florida and Puerto Rican grapefruit rose slightly in recent weeks, but the Florida season is drawing to a close. The auction prices of California Navel oranges at New York City rose slightly in mid-May, but lost most of the rise by the first week in June. California Valencia oranges started moving during May, with prices declining sharply as marketings increased. Florida orange prices were fairly stable during the recent 4-weeks' period. California lemon prices declined slightly.

As indicated by June 1 conditions, about an average supply of fruits is expected for the country as a whole, but the crops probably will be unevenly distributed with somewhat below average supplies in the North Central and some South Central States. Apples and peaches suffered extensive damage from late frosts in the Central and some Northeastern States, but a large supply of peaches is expected in the Southern and Western States. The apple crop also is expected to be large in the West. Pears and cherries also were damaged by frost in the Central States, but the reductions in this area are likely to be more than offset by record large crops in the Western States. The California apricot crop is expected to be light, but good crops of prunes and grapes are indicated for the Western States. Citrus fruits, which in recent years have made up a rapidly increasing proportion of the total fruit supply, are likely to have another large crop for harvest beginning next fall.

POTATOES

Prices of new potatoes in eastern markets declined slightly, while those in mid-western centers advanced slightly, from the first week of May to the first week of June. Prices of old potatoes rose sharply during the same period, as marketings decreased. Because of the earliness of the season in the Southern early-potato States and the lateness of the California crop, shipments of new potatoes have been at a relatively moderate rate and the movement has not been concentrated within a few weeks as is usually the case. The more moderate marketings have resulted in less than the usual seasonal decline in prices. A continuance of the more moderate rate of marketings during the summer months probably would result in a fairly stable level of prices.

The carlot movement of new potatoes reached a season's high to date of 4,800 cars for the week ended June 4, with total shipments from the beginning of the season to that date of 30,275 cars. Through June 5, 1937, only 27,580 cars had been moved from the early crop of last season. The carlot movement of old stock had dwindled to about 750 cars per week by June 4, indicating that the 1937-38 potato marketing season is about completed. It is estimated that only a little more than 1,000 cars of old potatoes remained to be shipped after that date.

The production of commercial potatoes in the first section of intermediate States is indicated to be 10,740,000 bushels this season, or about 4 percent less than in 1937 and 27 percent less than the 10-year (1927-36) average crop. A 12-percent reduction occurred in the acreage planted in this area, but because of relatively favorable weather conditions the yields are expected to be slightly higher than average.

TRUCK CROPS

Wholesale prices of most truck crops declined seasonally since early May. The decline was particularly sharp for cantaloups, cucumbers, lettuce, tomatoes, spinach, and watermelons. Price advances since the first week of May were recorded for asparagus, snap beans, western carrots, celery, and green peas. Carlot shipments increased greatly during recent weeks for cantaloups, cucumbers, Honey Ball melons, tomatoes, and watermelons. Carlot movement of most other products decreased, but for some of these vegetables there was an increasing movement to market by motor truck. Rail and boat shipments of tomatoes and melons recently exceeded those of all other individual commodities (except potatoes).

Truck crops made good progress in most sections of the country during the latter part of May. For 12 out of 20 important truck crops the June 1 condition was better than average, thus indicating relatively large supplies in prospect. The intermediate crop of lima beans in North Carolina is indicated to be two-thirds larger than that of last year, according to the June 1 condition of the crop. Acreage in the second section of intermediate States also is greater than that of last spring. Production of snap beans in the second group of intermediate States is expected slightly to exceed 1,500,000 bushels, or about one-fourth more than the 1937 crop. The intermediate crop of beets is indicated to be 30 percent above the 1937 production in these States and one-fifth above average. The 14 States growing an intermediate crop of cabbage expect a record production of 243,700 tons this year, 8 percent more than last year and 46 percent more than their 10-year average crop. The intermediate crop of carrots is indicated to be about 40 percent larger than that of 1937. The cucumber crop in the second-early States is now estimated to be fully 50 percent greater than that of last season, and acreage in the intermediate States also shows a slight increase. The first section of late lettuce States is indicated to have 30,860 acres in lettuce, or slightly more than last year and fully one-fifth more than average. A slightly smaller production of green peas is indicated for the first group of late States, but the crop is still expected to be about 40 percent above average.

Business statistics relating to the demand for farm products, specified periods

Year and month	: Nation- : al : income : 1/	: Nonagri- : cultural : income : 2/	: Indus- : trial : pro- : duction : 3/	: Build- : ing : con- : tracts : awarded : 3/	: 1923-25 : 3/	: 1923-25 : 3/	: Income : of : indus- : trial : workers : 5/	: Foreign : : : 6/	: 1923-25 : 6/	: 1910-14 : 7/	: 1913 : : : 8/	: Retail : food : prices : 8/	: Prices : re- : ceived : by : farmers : 9/	: Prices : paid : by : farmers : 10/	: Ratio of : prices : received : to : prices : paid : 10/
Base period -	: 1929	: 1924-29	: 1923-25	: 1923-25	: 1923-25	: 1923-25	: 1924-29	: 1923-25	: 1910-14	: 1910-14	: 1913	: 1910-14	: 1910-14	: 1910-14	: 1910-14
1929	: 100	: 107	: 119	: 117	: 105	: 106	: 136	: 139	: 166	: 146	: 153	: 95			
1930	: 93	: 100	: 96	: 92	: 91	: 87	: 124	: 126	: 158	: 126	: 145	: 87			
1931	: 79	: 86	: 81	: 63	: 77	: 67	: 111	: 107	: 130	: 87	: 124	: 70			
1932	: 62	: 68	: 64	: 28	: 66	: 46	: 97	: 95	: 108	: 65	: 107	: 61			
1933	: 58	: 63	: 76	: 25	: 72	: 48	: 107	: 96	: 105	: 70	: 109	: 64			
1934	: 66	: 72	: 79	: 32	: 82	: 60	: 116	: 109	: 117	: 90	: 123	: 73			
1935	: 70	: 77	: 90	: 37	: 86	: 67	: 124	: 117	: 127	: 108	: 125	: 86			
1936	: 80	: 87	: 105	: 55	: 92	: 77	: 132	: 118	: 130	: 114	: 124	: 92			
1937 11/	: 87	: 96	: 110	: 59	: 99	: 90	: 144	: 126	: 135	: 121	: 130	: 93			
1937-															
Jan.	: 85	: 93	: 114	: 63	: 96	: 87	: 138	: 125	: 134	: 131	: 130	: 101			
Feb.	: 86	: 94	: 116	: 62	: 99	: 88	: 141	: 126	: 134	: 127	: 132	: 96			
Mar.	: 88	: 95	: 118	: 56	: 101	: 91	: 143	: 128	: 135	: 128	: 132	: 97			
Apr.	: 88	: 96	: 118	: 53	: 102	: 94	: 145	: 128	: 136	: 130	: 134	: 97			
May	: 88	: 97	: 118	: 56	: 102	: 95	: 147	: 128	: 137	: 128	: 134	: 96			
June	: 88	: 97	: 114	: 61	: 101	: 94	: 146	: 127	: 137	: 124	: 134	: 93			
July	: 88	: 98	: 114	: 67	: 101	: 95	: 141	: 128	: 136	: 125	: 133	: 94			
Aug.	: 89	: 98	: 117	: 62	: 102	: 95	: 142	: 128	: 135	: 123	: 132	: 93			
Sept.	: 88	: 97	: 111	: 56	: 102	: 92	: 147	: 128	: 136	: 118	: 130	: 91			
Oct.	: 87	: 97	: 102	: 52	: 101	: 90	: 148	: 135	: 135	: 112	: 128	: 88			
Nov.	: 85	: 95	: 88	: 56	: 95	: 83	: 149	: 122	: 132	: 107	: 127	: 84			
Dec.	: 84	: 98	: 84	: 61	: 89	: 76	: 146	: 119	: 131	: 104	: 126	: 83			
1938-															
Jan.	: 82	: 90	: 80	: 52	: 82	: 70	: 141	: 118	: 127	: 102	: 126	: 81			
Feb.	: 81	: 88	: 79	: 51	: 82	: 69	: 141	: 116	: 124	: 97	: 126	: 77			
Mar.	: 80	: 88	: 79	: 46	: 82	: 68	: 141	: 116	: 125	: 96	: 125	: 77			
Apr. 11/	: 79	: 87	: 77	: 47	: 80	: 66		: 115	: 126	: 94	: 125	: 75			
May 11/								: 114		: 92	: 125	: 74			

Continued -

NOTES:

- 1/ Department of Commerce monthly and annual index numbers of "national income paid out", 1929 = 100. (monthly adjusted for seasonal variation). Comprises the payments to or receipts by individuals in the form of wages, salaries, interest, dividends, entrepreneurial withdrawals, and net rents and royalties. Monthly index described in Survey of Current Business, February 1938.
- 2/ Industrial Relations Division of the Agricultural Adjustment Administration, 1924-29 = 100, adjusted for seasonal variation. Entire series was revised in July 1937.
- 3/ Federal Reserve Board index, 1923-25 = 100, adjusted for seasonal variation.
- 4/ Bureau of Labor Statistics index, 1923-25 = 100, without seasonal adjustment.
- 5/ Bureau of Agricultural Economics, 1924-29 = 100, adjusted for seasonal variation. Includes factory workers, railroad and mining employees.
- 6/ Bureau of Agricultural Economics, 1923-25 = 100, adjusted for seasonal variation. Weighted average of index numbers of industrial production for nine foreign countries - United Kingdom, France, Germany, Italy, Japan, Canada, Belgium, Czechoslovakia, and Poland. Series was revised from January 1920 through July 1935 in July 1937 - and from August 1935 through August 1937 in November 1937.
- 7/ Bureau of Labor Statistics index, 1910-14 = 100, without seasonal adjustment.
- 8/ Bureau of Labor Statistics index, 1913 = 100.
- 9/ Bureau of Agricultural Economics, August 1909-July 1914 = 100.
- 10/ Bureau of Agricultural Economics, 1910-14 = 100.
- 11/ Preliminary.

